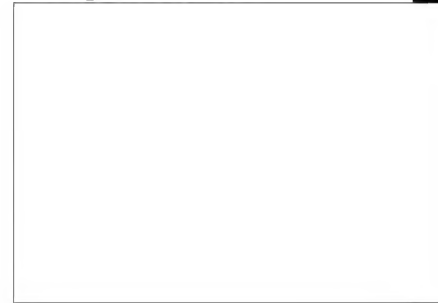




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# National Intelligence Daily

*Saturday*  
*27 February 1982*

DIA review  
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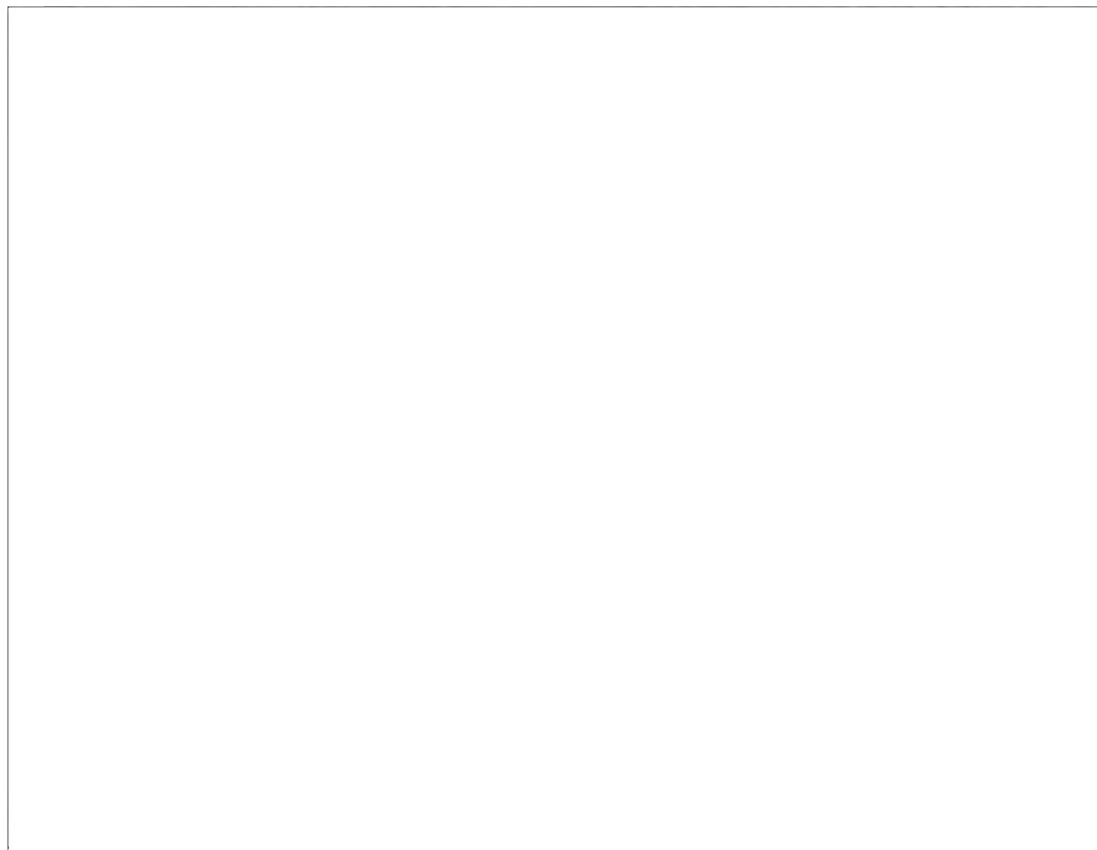
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HONDURAS: Military and Economic Priorities

*The recent request by Armed Forces Commander Alvarez for increased US military assistance demonstrates his concern over border issues and security at home.*

Alvarez, in response to the Sandinista military buildup and the insurgency in El Salvador, plans to move an infantry battalion to the Nicaraguan border and appears willing to provide more forces at the Salvadoran border for joint operations with the Salvadoran Army to block fleeing guerrillas. The added troop strength at the Nicaraguan border would help the already partially successful efforts to interdict arms shipments to the Salvadoran guerrillas.

Alvarez also is concerned about the domestic left's growing activism. He is reorienting Army doctrine toward counterinsurgency and internal defense and is increasing specialized small unit training.

To support his plans, Alvarez has asked that the US provide either F-4 or F-5E fighters free of charge and in exchange has offered to donate aging Super Mysteres to El Salvador. Alvarez also has requested US help in financing new Canadian-built transport aircraft, in acquiring communications equipment and radars, and in providing training in Panama for 100 Honduran officer candidates.

Comment: Any increases in military purchases would come at the expense of social spending, which already has been slashed some 20 percent in real terms from levels in 1981. Honduras will have to observe strict government spending limits to qualify for IMF assistance needed to fill part of the \$400 million current account gap. As a result, the Honduran request for greater US military aid is almost certain to be followed by an appeal for increased economic assistance.

Competition for scarce economic resources could undercut the current cooperation between the military and the new civilian government. Because US influence contributed to the restoration of civilian rule in Honduras, the Suazo administration almost certainly would seek Washington's backing in any dispute with the military.

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## SPECIAL ANALYSIS

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## CARIBBEAN: Reaction to US Initiative

*Initial reaction by Caribbean Basin leaders to the US proposals for the region has been generally positive, although some question the likelihood of Congressional support. Central American leaders have publicly and privately applauded the economic aspects of the President's speech at the OAS, but some appear concerned over its political content.*

$$\begin{array}{r} 1 \\ 2 \\ 3 \\ 4 \\ 5 \\ \hline 13 \end{array}$$

$$\begin{array}{r} 1-3 \\ \hline 13 \end{array}$$

Jamaican Prime Minister Seaga has taken the lead in endorsing the initiative and is privately urging positive responses by leaders of the English-speaking Caribbean. Favorable statements already have been elicited from other West Indian leaders.

$$\begin{array}{r} 7-9 \\ \hline 13 \end{array}$$

Honduran President Suazo and Costa Rican President Carazo have focused exclusively on financial assistance. The Salvadoran response has been overwhelmingly enthusiastic, both from the cogoverning Christian Democrats and some opposition parties. In a televised speech, President Duarte was careful to associate the initiative with the coming election and also asserted that it will strengthen the recently ratified Central American Democratic Community that includes El Salvador, Honduras, and Costa Rica.

Foreign Secretary Castaneda has expressed reservations over its "strong" political components. The degree of official Mexican support for the US initiative probably will be linked to Washington's response to Lopez Portillo's recently announced peace plan for Central America.

Panamanian Foreign Minister Illueca cautioned that Latin America's problems cannot be solved with military aid.

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Negative Responses

)) Nicaraguan reaction has been limited but negative. Defense Minister Ortega reportedly is asserting that the President's speech is a reiteration of US hostility toward the Sandinistas, intimating the threat of a surprise military attack. Ortega has called for increased enrollment in the people's militia. [ ]

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|| Cuban reaction has been bitter. Despite its rhetoric, however, Havana probably is concerned that the package will undercut its influence in the region. [ ]

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Other Reactions

|| The initiative also may cause some resentment in Haiti. The Duvalier government believes that it has not been fairly rewarded by Washington for its strong anti-Communist stand, support of US foreign policy, and fledgling efforts at fiscal reform. [ ]

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|| The Haitians will be especially hard hit by the continued restrictions on textile imports. The Duvalier regime may react by reducing its cooperation with the US on the migration interdiction program. [ ]

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The initial euphoria is likely to diminish in those countries unlikely to receive concessional aid or benefit from the trade and investment legislation. For example, the serious lack of infrastructure in smaller island-states will make them far less attractive to potential investors than the more advanced economies such as Trinidad and Tobago, Jamaica, and Barbados. As a result, the leaders of the smaller states are likely to push hard for special measures to offset their disadvantaged positions. [ ]

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